

Message Text

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ACTION EB-07

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CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
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INFO ALL OECD CAPITALS

UNCLAS SECTION 1 OF 2 PARIS 19627

USMTN

USEEC

EO 11652 NA

TAGS: EGEN, GATT, FR

SUBJECT: PRIME MINISTER BARRE'S SPEECH ON FRANCO-
AMERICAN ECONOMIC RELATIONS

REF: PARIS 19345

1. SUMMARY

IN WHAT HAS BEEN BILLED AS A MAJOR SPEECH,
PRIME MINISTER BARRE OUTLINED ON JULY 5 HIS GOVERNMENT'S
VIEWS ON BILATERAL FRANCO-AMERICAN ECONOMIC RELATIONS
AND ON THE KIND OF INTERNATIONAL TRADING ENVIRONMENT
WHICH FRANCE HOPES MIGHT EMERGE FROM THE MTN, BASICALLY
FRANCE SEEKS AN "ORGANIZED FREEDOM OF WORLD TRADE" WHICH
WOULD MAINTAIN A HIGH VOLUME OF INTERCHANGE WITHOUT
DISRUPTION OF KEY NATIONAL INDUSTRIES IN THE DEVELOPED
COUNTRIES. BY IMPLICATION HE REJECTED THE PROPOSAL LAST
WEEK OF THE FRENCH MANUFACTURERS ASSOCIATION FOR A
SUSPENSION OF THE MTN, BUT SUPPORTED THEIR CONCEPT OF
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ORGANIZATION AND HARMONIZATION OF WORLD TRADE
RATHER THAN FURTHER LIBERALIZATION. HE SAID THE US AND
SOME INDUSTRIALIZED LDCS HAVE INHERENT ADVANTAGES IN
INTERNATIONAL COMPETITION WHICH MUST BE REDRESSED SINCE
"RELATIONS BETWEEN UNEQUALS CANNOT BE FRUITFUL." END
SUMMARY.

2. AT A LUNCHEON ON JULY 5 ORGANIZED BY THE FRENCH

CHAMBER OF COMMERCE IN THE USA AT WHICH HE WAS GUEST SPEAKER, PRIME MINISTER BARRE TOOK THE OCCASION TO TAKE THE US TO TASKS FOR PROTECTIONISM, "CARTELISM", AND MARKET DOMINATION, AND TO EXPRESS GOF VIEW ON HOW FUTURE WORLD TRADE SHOULD BE ORGANIZED. A SENIOR FRENCH FOREIGN OFFICE OFFICIAL PRESENT AT THE LUNCHEON TOLD US THAT BARRE' S SPEECH WAS INTENDED TO BE A MAJOR ADDRESS, THOUGH IT DID NOT EMBODY SIGNIFICANT DEPARTURES FROM PREVIOUSLY EXPRESSED FRENCH POSITIONS.

3. AFTER NOTING THAT FRANCE HAD A BILATERAL TRADE DEFICIT WITH THE US OF 10 BILLION FRANCS IN 1976 AND THAT THIS TREND IS CONTINUING IN 1977, BARRE LISTED THE OBSTACLES IMPENDING FRENCH EXPORTS TO THE US. INTER ALIA HE MENTIONED THE VAST SIZE OF THE MARKET, THE HEAVY COSTS OF MARKET DEVELOPMENT, THE COMPLEXITY OF AMERICAN PROCEDURES, THE MULTIPLICITY OF DECISION CENTERS AT THE GOVERNMENTAL LEVEL, AND THE GENERAL CLIMATE OF UNCERTAINTY WHICH RESULTS FROM THIS. THESE PROBLEMS HE SAID, SHOULD NOT DETER US FROM THE DUAL TASK WHICH FACES THE TWO COUNTRIES, I.E. TO OVERCOME THE "CURRENT CRISIS" AND TO PROMOTE THE DEVELOPMENT OF OUR BILATERAL TRADE. HE ADDED THAT DESPITE THESE PROBLEMS THE RATE OF GROWTH OF FRENCH EXPORTS TO THE US HAS BEEN ONE OF THE HIGHEST OF ANY COUNTRY DURING THE PERIOD 1970 - 1976 AND THAT THIS TREND IS CONTINUING IN 1977. HE ALSO NOTED WITH UNCLASSIFIED

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APPROVAL THE RAPID MOVEMENT OF DIRECT FRENCH INVESTMENT INTO THE AMERICAN ECONOMY.

4. BARRE IDENTIFIED TWO RECENT PHENOMENA WHICH ARE AT THE ROOT OF FRANCE'S INTERNATIONAL ECONOMIC PROBLEMS TODAY: (1) RAPID GROWTH IN THE COST OF ENERGY AND CERTAIN RAW MATERIALS AND (2) THE RECENT EMERGENCE OF NEW INDUSTRIAL PRODUCERS WHO ARE PLAYING THE TRUMPS OF MODERN EQUIPMENT COMBINED WITH LOW LABOR COSTS. THESE DEVELOPMENTS, HE SAID, HAVE PRESENTED TO EUROPEAN INDUSTRY THE GRAVEST CHALLENGE IN ITS HISTORY. THE IMPACT ON THE US ECONOMY, ON THE OTHER HAND HAS BEEN SUBSTANTIALLY LESS BECAUSE OF AMERICA'S ABUNDANCE OF RAW MATERIALS AND ITS VAST HOME MARKET. IN THE FACE OF THIS CHALLENGE EACH INDUSTRIALIZED COUNTRY MUST FIRST SEEK TO STRENGTHEN ITS INTERNAL ECONOMY. SINCE 1974 FRANCE HAS UNDERTAKEN A RIGOROUS CONTROL OF ITS CONSUMPTION OF ENERGY AND THE DEVELOPMENT OF ALTERNATIVE

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SOURCES, NOTABLY NUCLEAR. IN BARRE'S VIEW FRANCE IS AHEAD OF MOST OTHER COUNTRIES IN THIS RESPECT AND IS THUS MAKING A LARGE CONTRIBUTION TO INTERNATIONAL ECONOMIC STABILITY. THE ENERGY PROGRAM OF PRESIDENT CARTER PROVIDES REASON TO HOPE THAT THE MOST IMPORTANT INDUSTRIALIZED COUNTRY WILL MAKE ITS OWN DECISIVE CONTRIBUTION TO THIS STABILITY. FRANCE IS ALSO SEEKING TO RATIONALIZE ITS INDUSTRIAL STRUCTURE IN ORDER TO COMPETE MORE EFFECTIVELY AGAINST LOW COST IMPORTS FLOWING INTO THE ESSENTIALLY OPEN EUROPEAN COMMON MARKET. PARTICULAR EFFORT IS BEING MADE IN STEEL, TEXTILES AND SHIP BUILDING.

5. FINALLY, FRANCE IS SEEKING TO PROMOTE A NEW TYPE OF INTERNATIONAL COOPERATION AND TO FIND NEW CONCEPTS TO GOVERN INTERNATIONAL TRADE. THE CIEC REPRESENTS A FIRST HISTORIC EFFORT AT A RAPPROCHMENT BETWEEN THE INDUSTRIALIZED COUNTRIES AND THE LDCS. THE CONFERENCE JUST CONCLUDED HAS GENERATED FOR THE FIRST TIME A FEELING OF "SOLIDARITY" BETWEEN THE TWO GROUPS OF COUNTRIES AND HAS ACHIEVED RESULTS WHICH ARE "NOT WITHOUT IMPORTANCE,"
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THANKS IN PART TO SOME EVOLUTION IN THE USG POSITION. BARRE REFERRED SPECIFICALLY IN THIS CONTEXT TO THE COMMON FUND AND THE SPECIAL ACTION

PROGRAM FOR THE MOST SERIOUSLY AFFECTED COUNTRIES.

6. WITHOUT SPECIFIC REFERENCE TO THE PROPOSALS LAST WEEK FROM THE FRENCH PATRONAT (REFTEL), BARRE DECLARED THAT FRANCE CONTINUES TO LOOK UPON THE MTN WITH A "CONSTRUCTIVE SPIRIT" BECAUSE THIS NEGOTIATION APPEARS CAPABLE OF SUSTAINING THE NECESSARY DYNAMISM IN INTERNATIONAL TRADE. THE GOF HOPES THAT THE MTN WILL LEAD MORE TO A HARMONIZATION THAT TO A REDUCTION OF TARIFF AND NON-TARIFF BARRIERS, AND IN THE AGRICULTURAL SECTOR TO "A BETTER ORGANIZATION OF TRADE" WHICH REFLECTS THE OBVIOUS UNIQUENESS OF THIS SECTOR. BARRE WENT ON TO SAY, HOWEVER, THAT THE CONCEPT OF LIBERALISM WHICH CHARACTERIZED THE KENNEDY ROUND NO LONGER SUFFICES TO ASSURE THE HARMONIOUS DEVELOPMENT OF WORLD TRADE. THE INTERVENING INTERNATIONAL CRISIS HAS CREATED NEW PROBLEMS FOR THE DEVELOPING COUNTRIES WHICH MAKE IT NECESSARY TO DEFEND SOME OF THE POLITICALLY SENSITIVE (I.E. LABOR INTENSIVE) NATIONAL INDUSTRIES. THE USG, HE SAID, HAS THUS FAR BEEN ABLE TO RESTRAIN SOME INTERNAL PROTECTIONIST PRESSURES BY NEGOTIATING VOLUNTARY RESTRAINT AGREEMENTS WITH ITS TRADING PARTNERS. WHILE THESE ARE PREFERABLE TO IMPORT QUOTAS OR HIGHER TARIFFS, THEY ALSO PROMOTE A "CARTELIZATION OF INTERNATIONAL TRADE" WHICH IS UNHEALTHY. FOR THIS REASON FRANCE PREFERS THE CONCEPT OF "AN ORGANIZED FREEDOM OF TRADE" AS PROPOSED BY GISCARD AT THE RECENT EEC SUMMIT. THIS IMPLIES A FOCUS ON THE CONDITIONS OF INTERNATIONAL COMPETITION AND PARTICULARLY ON A SECTORAL APPROACH TO THE MTN TO PERMIT THE RESOLUTION OF PROBLEMS IN CERTAIN INDUSTRIES WHICH ARE ESPECIALLY EXPOSED TO THE NEW

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FORMS OF COMPETITION. THIS FRENCH CONCEPT IS NOT AIMED AT A REVERSAL OF LIBERALISM BUT RATHER AT THE MITIGATION OF ITS IMPACT ON THE MOST SENSITIVE SECTORS. BARRE SEES THIS "ORGANIZATION OF TRADE" AS ESSENTIAL TO THE MAINTENANCE OF THE PRESENT LEVEL OF INTERNATIONAL COMMERCE AND ITS FUTURE STABILITY.

7 BARRE THEN PROCEED TO CATALOG IN GREATER DETAIL THE PROBLEMS FACED BY THE FRENCH EXPORTER IN DEALING WITH THE AMERICAN MARKET. HE MENTIONED THE DIFFERING SYSTEMS OF CUSTOMS EVALUATION IN THE US, THE VARIATIONS OF APPLICATION OF FEDERAL DECISION IN THE DIFFERENT STATES, THE DIFFERENCES IN PRODUCT STANDARDS FROM STATE TO STATE, AND THE APPLICATION BY THE USG OF ANTI-DUMPING AND COUNTERVAILING DUTY MEASURES IN VIOLATION OF THE TERMS OF GATT. BARRE SAID THAT FRANCE IS COUNTING ON THE CARTER ADMINISTRATION TO HOLD THE LINE AGAINST PROTECTIONIST PRESSURES AND TO KEEP IN MIND THE FACT THAT MOST EEC COUNTRIES ARE NOW IN DEFICIT IN THEIR

BILATERAL TRADE WITH THE U.S.

8. BARRE CONCLUDED BY EMPHASIZING THAT THE TERMS OF TRADE BETWEEN THE EEC (THE TOP COMMERCIAL POWER IN THE WORLD) AND THE US (THE TOP PRODUCING POWER IN THE WORLD) ARE NOT EQUITABLE TO THE EUROPEAN SIDE. THE US MONOPOLIES ARE SO LARGE AND POWERFUL THAT IN SUCH FIELDS AS AEROSPACE THEY CAN DOMINATE THE WORLD MARKET EUROPE CANNOT ACCEPT THE NOTION THAT THESE ENTERPRISES SHOULD STIFLE THE DEVELOPMENT OF COMPETING EUROPEAN INDUSTRIES. UNLESS APPROPRIATE ARRANGEMENTS CAN BE WORKED OUT AT THE INTERNATIONAL LEVEL, THE EUROPEAN POWER MAY BE FORCED TO PROTECT THEIR HIGH TECHNOLOGY INDUSTRIES AGAINST AMERICAN COMPETITION. "RELATIONS BETWEEN UNEQUAL PARTNERS ARE NEVER FRUITFUL," HE SAID. IN A WORD, THE MEANING OF THE TERM "ORGANIZED FREEDOM OF TRADE" IS A HARMONIOUS DIVISION OF ECONOMIC ACTIVITY TO FEND OFF RUINOUS COMPETITION FROM THE NEW INDUSTRIAL EXPORTERS AND THE EMERGENCE OF NATIONAL MONOPOLIES.

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FRANCE IS SEEKING A GENUINE POINT OF VIEW WITH THE US ON THESE MATTERS AND A BALANCED EXPANSION OF INTERNATIONAL TRADE."

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